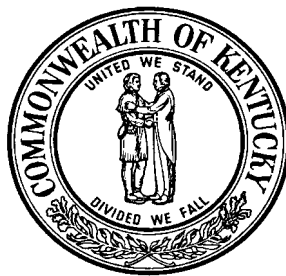


**REPORT OF THE AUDIT OF THE
MENIFEE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2009**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Hershell Sexton, Menifee County Judge/Executive
Members of the Menifee County Fiscal Court

The enclosed report prepared by Simon, Underwood, & Associates, PSC, Certified Public Accountants, presents the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Menifee County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements.

We engaged Simon, Underwood, & Associates, PSC to perform the audit of these financial statements. We worked closely with the firm during our report review process; Simon, Underwood, & Associates, PSC evaluated Menifee County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Crit Luallen".

Crit Luallen
Auditor of Pubic Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MENIFEE COUNTY FISCAL COURT

June 30, 2009

Simon, Underwood & Associates, PSC has completed the audit of the Meniffee County Fiscal Court for the fiscal year ended June 30, 2009. We have issued unqualified opinions on the governmental activities, each major fund, and aggregate remaining fund information.

Financial Condition:

The fiscal court had net assets of \$2,302,962 as of June 30, 2009. The fiscal court had unrestricted net assets of \$176,947 in its governmental activities as of June 30, 2009. The fiscal court had total debt principal as of June 30, 2009 of \$3,607,410 with \$151,965 due within the next year.

Report Comments:

- | | |
|---------|--|
| 2009-01 | The Fiscal Court Has Delinquent Accounts For Ambulance Service That Exceed \$136,857 |
| 2009-02 | The Fiscal Court Has Delinquent Accounts For Solid Waste Collections That Exceed \$144,838 |
| 2009-03 | The County Should Maintain Complete And Accurate Capital Schedules To Comply With GASB 34 Requirements And Inventory Capital Assets Periodically |
| 2009-04 | Vehicles Purchased By The Fiscal Court Should Be Titled, Insured, And Sold By The Fiscal Court |
| 2009-05 | The Fiscal Court Should Improve Controls Over Expenditures |
| 2009-06 | The Fiscal Court Should Require That Proper Records Be Maintained For The Public Properties Corporation Fund |

Deposits:

The Fiscal Court's deposits, as of August 31, 2008, were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$ 26,878

The Fiscal Court's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the Fiscal Court's deposits in accordance with the security agreement.

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*Simon,
Underwood &
Associates* PSC

Certified Public Accountants and Consultants

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Hershell Sexton, Menifee County Judge/Executive
Members of the Menifee County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Menifee County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Menifee County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Menifee County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Menifee County, Kentucky, as of June 30, 2009, and the respective changes in financial position, thereof for the year then ended in conformity with the modified cash basis of accounting.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statement but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit the information and express no opinion on it.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Hershell Sexton, Menifee County Judge/Executive
Members of the Menifee County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Menifee County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated November 6, 2009, on our consideration of Menifee County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2009-01 The Fiscal Court Has Delinquent Accounts For Ambulance Service That Exceed \$136,857
- 2009-02 The Fiscal Court Has Delinquent Accounts For Solid Waste Collections That Exceed \$144,838
- 2009-03 The County Should Maintain Complete And Accurate Capital Schedules To Comply With GASB 34 Requirements And Inventory Capital Assets Periodically
- 2009-04 Vehicles Purchased By The Fiscal Court Should Be Titled, Insured, And Sold By The Fiscal Court
- 2009-05 The Fiscal Court Should Improve Controls Over Expenditures
- 2009-06 The Fiscal Court Should Require That Proper Records Be Maintained For The Public Properties Corporation Fund

Simon, Underwood & Associates PSC

November 6, 2009

MENIFEE COUNTY OFFICIALS

For The Year Ended June 30, 2009

Fiscal Court Members:

Hershell Sexton	County Judge/Executive
Bob Ross	Magistrate
Joe Thomas	Magistrate
Stacy Smallwood	Magistrate
Glenn Mullins	Magistrate
Mike Hall	Magistrate

Other Elected Officials:

Greg Hall	County Attorney
C. Jason Stull	Jailer
Jo Ann Spencer	County Clerk
Karen Wells-Sorrell	Circuit Court Clerk
Rodney Coffey	Sheriff
Jim Lawson	Property Valuation Administrator
Melody Smallwood	Coroner

Appointed Personnel:

Phyllis Walker	County Treasurer
Barbara Bowman	Finance Officer
Loyd Roe	Road Supervisor
Jennifer Rogers	Occupational Tax Administrator
Bob Ross	Deputy Judge/Executive

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MENIFEE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

MENIFEE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	Primary Government Governmental Activities
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 182,723
Total Current Assets	<u>182,723</u>
Noncurrent Assets:	
Capital Assets - Net of Accumulated Depreciation	
Land and Land Improvements	403,978
Buildings	3,966,526
Vehicles	225,958
Machinery and Equipment	374,354
Office Equipment	42,282
Infrastructure	714,551
Total Noncurrent Assets	<u>5,727,649</u>
Total Assets	<u>5,910,372</u>
LIABILITIES	
Current Liabilities:	
Bonds Payable	85,000
Notes Payable	6,000
Financing Obligations Payable	60,965
Total Current Liabilities	<u>151,965</u>
Noncurrent Liabilities:	
Bonds Payable	2,570,000
Notes Payable	177,500
Financing Obligations Payable	707,945
Total Noncurrent Liabilities	<u>3,455,445</u>
Total Liabilities	<u>3,607,410</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	2,120,239
Restricted For:	
Debt Service	5,776
Unrestricted	176,947
Total Net Assets	<u>\$ 2,302,962</u>

The accompanying notes are an integral part of the financial statements.

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MENIFEE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009

MENIFEE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,330,548	\$ 602	\$ 586,422	\$ 193,110
Protection to Persons and Property	975,428	1,424	200,583	
General Health and Sanitation	449,143	394,164		
Social Services	8,684			
Recreation and Culture	31,743	6,983		
Roads	463,173		610,191	
Debt Service	164,966			
Capital Projects	2,813			16,700
Total Governmental Activities	\$ 3,426,498	\$ 403,173	\$ 1,397,196	\$ 209,810

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

In-lieu tax payments

Excess Fees

Unrestricted Investment Earnings

Miscellaneous Revenues

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning Restated

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

MENIFEE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Net (Expenses) Revenues
and Changes in Net Assets
Primary Government

Governmental
Activities

\$ (550,414)
 (773,421)
 (54,979)
 (8,684)
 (24,760)
 147,018
 (164,966)
13,887

(1,416,319)

228,302
 3,204
 58,072
 837,414
 346,479
 48,994
 5,163
183,496

1,711,124

294,805

2,008,157

\$ 2,302,962

The accompanying notes are an integral part of the financial statements.

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MENIFEE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

MENIFEE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

	General Fund	Road Fund	Ambulance Fund	Health Tax Fund
ASSETS				
Cash and Cash Equivalents	\$ 32,483	\$ 782	\$ 14,422	\$ 129,511
Interfund Receivable		28,434		
	<u>32,483</u>	<u>29,216</u>	<u>14,422</u>	<u>129,511</u>
Total Assets	<u>32,483</u>	<u>29,216</u>	<u>14,422</u>	<u>129,511</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Cash Shortage				
Interfund Payable	28,434			
Total Liabilities	<u>28,434</u>			
FUND BALANCES				
Unreserved:				
General Fund	4,049			
Special Revenue Funds		29,216	14,422	129,511
Debt Service Fund				
	<u>4,049</u>	<u>29,216</u>	<u>14,422</u>	<u>129,511</u>
Total Fund Balances	<u>4,049</u>	<u>29,216</u>	<u>14,422</u>	<u>129,511</u>
Total Liabilities and Fund Balances	<u>\$ 32,483</u>	<u>\$ 29,216</u>	<u>\$ 14,422</u>	<u>\$ 129,511</u>

The accompanying notes are an integral part of the financial statements.

MENIFEE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2009
(Continued)

Public Properties Corporation Fund	Non- Major Governmental Funds	Total Governmental Funds
\$ 5,776	14,239	\$ 197,213
		28,434
<u>5,776</u>	<u>14,239</u>	<u>225,647</u>
	14,490	14,490
		28,434
	<u>14,490</u>	<u>42,924</u>
		4,049
	(251)	172,898
<u>5,776</u>		<u>5,776</u>
<u>5,776</u>	<u>(251)</u>	<u>182,723</u>
<u>\$ 5,776</u>	<u>\$ 14,239</u>	<u>\$ 225,647</u>

Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 182,723
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	7,525,200
Accumulated Depreciation	(1,797,551)
Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Financing Obligations	(768,910)
Note Payable	(183,500)
Bonded Debt	<u>(2,655,000)</u>
Net Assets Of Governmental Activities	<u>\$ 2,302,962</u>

The accompanying notes are an integral part of the financial statements.

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MENIFEE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

MENIFEE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	<u>General Fund</u>	<u>Road Fund</u>	<u>Ambulance Fund</u>	<u>Health Tax Fund</u>
REVENUES				
Taxes	\$ 1,029,971	\$ 254,005	\$	\$ 93,494
In Lieu Tax Payments	92,474			
Excess Fees	48,994			
Licenses and Permits	2,653			873
Intergovernmental	114,305	929,171	10,169	92
Charges for Services			392,378	
Miscellaneous	43,014	2,194	3,907	
Interest	2,164	1,342	58	1,220
Total Revenues	<u>1,333,575</u>	<u>1,186,712</u>	<u>406,512</u>	<u>95,679</u>
EXPENDITURES				
General Government	517,289			
Protection to Persons and Property	13,071		507,295	
General Health and Sanitation	246,935	8,150		61,908
Social Services	8,684			
Recreation and Culture				
Roads		493,139		
Debt Service	112,278			
Capital Projects				
Administration	219,493	213,025	182,398	
Total Expenditures	<u>1,117,750</u>	<u>714,314</u>	<u>689,693</u>	<u>61,908</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>215,825</u>	<u>472,398</u>	<u>(283,181)</u>	<u>33,771</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	685,400	143,500	317,862	
Transfers To Other Funds	(806,957)	(579,000)	(10,000)	
Total Other Financing Sources (Uses)	<u>(121,557)</u>	<u>(435,500)</u>	<u>307,862</u>	
Net Change in Fund Balances	94,268	36,898	24,681	33,771
Fund Balances - Beginning	(90,219)	(7,682)	(10,259)	95,740
Fund Balances - Ending	<u>\$ 4,049</u>	<u>\$ 29,216</u>	<u>\$ 14,422</u>	<u>\$ 129,511</u>

The accompanying notes are an integral part of the financial statements.

MENIFEE COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Public Properties Corporation Fund	Non- Major Governmental Funds	Total Governmental Funds
\$	\$ 79,876	\$ 1,457,346
		92,474
		48,994
		3,526
172,945	383,557	1,610,239
	9,185	401,563
	52,882	101,997
149	231	5,164
<u>173,094</u>	<u>525,731</u>	<u>3,721,303</u>
	54,229	571,518
	456,391	976,757
	110,014	427,007
		8,684
	27,707	27,707
		493,139
171,945	21,865	306,088
	2,813	2,813
1,000	76,428	692,344
<u>172,945</u>	<u>749,447</u>	<u>3,506,057</u>
<u>149</u>	<u>(223,716)</u>	<u>215,246</u>
	345,595	1,492,357
	<u>(96,400)</u>	<u>(1,492,357)</u>
	<u>249,195</u>	
149	25,479	215,246
5,627	(25,730)	(32,523)
<u>\$ 5,776</u>	<u>\$ (251)</u>	<u>\$ 182,723</u>

The accompanying notes are an integral part of the financial statements.

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MENIFEE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

MENIFEE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds	\$	215,246
--	----	---------

Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of Those Assets Are Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.

Capital Outlay		189,457
Depreciation Expense		(245,420)
Disposal of Capital Assets (Net)		(5,600)

The Issuance of Long-term Debt (e.g. Bonds, Financing Obligations) Provides Current Financial Resources to Governmental Funds, While Repayment of Principal on Long-term Debt Consumes the Current Financial Resources of Governmental Funds. These Transactions, However, Have no Effect on Net Assets.

Financing Obligation Principal Payments		70,622
Notes Payable Principal Payments		5,500
Financing Obligations Principal Payments		65,000

Change in Net Assets of Governmental Activities	\$	294,805
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**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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**MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2009

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Meniffee County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The County has no discretely presented component units.

Blended Component Unit

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Unit (Continued)

Menifee County Public Properties Corporation:

The Menifee County Public Properties Corporation (Corporation) cannot be sued in its own name without recourse to the Menifee County Fiscal Court, who appoints a voting majority consisting of the fiscal court members and the County Attorney. The fiscal court is able to impose its will on the Corporation. The Corporation is created solely for the benefit of the fiscal court per KRS 58.180 to act as the agency in the acquisition and financing of any public project. The fiscal court has access to the Corporation's resources and is legally obligated to finance the debts of or provide financial support to the Corporation. The Corporation is financially accountable to the fiscal court. This component unit is blended within the financial statements of the county.

C. Menifee County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Menifee County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Menifee County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements are presented using the economic resources measurement focus which reports assets and liabilities regardless of timing of cash flows (i.e., the statement of net assets and the statement of activities) with report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs. The County has no business-type activities or fiduciary funds.

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

The primary government reports the governmental funds using the current economic resources measurement focus and the modified cash basis of accounting. Revenues are recognized when received and expenditures are recognized when paid.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Ambulance Fund - The purpose of this fund is to account for receipts and expenditures of the ambulance service.

Health Tax Fund - The purpose of this fund is to account for receipts from property taxes collected and then distributed to the health department.

Menifee County Public Properties Corporation Fund - This fund issued the debt for the construction of the courthouse annex. This fund has receipts from the Administrative Office of the Courts in the amount necessary to make the debt payments associated with the courthouse annex.

The primary government also has the following non-major funds: Jail Fund, Local Government Economic Assistance Fund, State Grants Fund, Parks and Recreation Fund, Wellness Fund, Building Commission Fund, and 911 Fund.

Special Revenue Funds:

The Road Fund, Ambulance Fund, Health Tax Fund, Jail Fund, Local Government Economic Assistance Fund, State Grants Fund, Parks and Recreation Fund, Wellness Fund, Building Commission Fund, and 911 Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund:

Menifee County Public Properties Corporation Fund - The purpose of this fund is to account for the activities of the Menifee County Public Properties Corporation. The Menifee County Public Properties Corporation issued debt to renovate the courthouse. The Menifee County Public Properties Corporation entered into a lease agreement with the Commonwealth of Kentucky, Administrative Office of the Courts (the "AOC"), in which AOC uses and subleases all or a portion of certain facilities owned or constructed by or on behalf of the County. This requires payments to be made by AOC in an amount equal to the debt payments associated with the renovations.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings	\$ 25,000	10-75
Building Improvements	\$ 25,000	10-20
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-5
Infrastructure	\$ 20,000	10-50
Office Equipment	\$ 1,000	3-25

G. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity (Continued)

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances. "Reserved for Encumbrances" is purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Menifee County Public Properties Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually. The Department for Local Government does not require this fund to be budgeted.

J. Jointly Governed Organizations

A jointly governed organization is an entity that results from a multi-governmental arrangement that is governed by representatives from each participating government. The entity provides services to the citizens of each participating government, but there is no ongoing financial interest or responsibility of the participating governments. The jointly governed organization can act independently of each of the participating governments. The Menifee, Morgan, and Rowan Counties Industrial Park (MMRC) meets the criteria noted above and is an organization jointly governed by the Kentucky counties previously mentioned.

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of August 31, 2008, the government's bank balance was exposed to custodial credit risk because the bank did not adequately collateralize the government's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$ 26,878

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 403,978	\$	\$	\$ 403,978
Total Capital Assets Not Being Depreciated	403,978			403,978
Capital Assets, Being Depreciated:				
Buildings	4,894,570			4,894,570
Vehicles	565,988	22,848	(41,100)	547,736
Machinery and Equipment	603,635	34,287		637,922
Office Equipment	77,460	6,001		83,461
Infrastructure	831,212	126,321		957,533
Total Capital Assets Being Depreciated	6,972,865	189,457	(41,100)	7,121,222
Less Accumulated Depreciation For:				
Buildings	(850,782)	(77,262)		(928,044)
Vehicles	(307,645)	(49,633)	35,500	(321,778)
Machinery and Equipment	(227,156)	(36,412)		(263,568)
Office Equipment	(35,669)	(5,510)		(41,179)
Infrastructure	(166,379)	(76,603)		(242,982)
Total Accumulated Depreciation	(1,587,631)	(245,420)	35,500	(1,797,551)
Total Capital Assets, Being Depreciated, Net	5,385,234	(55,963)	(5,600)	5,323,671
Governmental Activities Capital Assets, Net	\$ 5,789,212	\$ (55,963)	\$ (5,600)	\$ 5,727,649

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 66,686
Protection to Persons and Property	55,107
General Health and Sanitation	22,136
Recreation and Culture	4,036
Roads, Including Depreciation of General Infrastructure Assets	<u>97,455</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 245,420</u>

Note 4. Short-term Debt

Kentucky Association of Counties Advance Revenue Program

In July 2008, Meniffee County Fiscal Court participated in the Kentucky Association of Counties Advance Revenue Program by issuing a note in the amount of \$249,750, with principal being due in January 2009. Of the funds, \$186,150 was allocated to the general fund and \$63,600 to the road fund. In July 2008, the Fiscal Court borrowed \$186,150 to meet current general fund expenditures. The monies were repaid in September 2008. Again in October 2008, \$186,150 was borrowed to meet current general fund expenditures and then repaid in January of 2009. The borrowings resulted in interest expense of \$3,723 and interest income of \$1,400 for a net interest expense of \$2,323 for the general fund. While the Fiscal Court did not use the borrowed funds to meet current road fund expenditures, they were able to reinvest the funds and receive net interest earnings of \$339 for the road fund.

B. Changes In Short-term Liabilities

Short-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities:</u>					
Kentucky Advanced					
Revenue Program	\$	\$ 249,750	\$ 249,750	\$	\$
<u>Governmental-type Activities:</u>					
Short-term Liabilities	\$ 0	\$ 249,750	\$ 249,750	\$ 0	\$ 0

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Long-term Debt

A. Refunding Revenue Bonds, Series 2006

On May 1, 2000, the Menifee County Public Properties Corporation issued \$2,845,000 in First Mortgage Revenue Bonds, Series 2000, for the purpose of renovating the existing courthouse facility. The bonds were defeased on December 1, 2006. \$2,844,051 was paid to the escrow agent to refund the outstanding balance on this debt. Neither the escrow account nor the liability is included in the financial statements.

On December 1, 2006, the Menifee County Public Properties Corporation issued \$2,720,000 of First Mortgage Refunding Revenue Bonds, Series 2006, for the purpose of defeasing the First Mortgage Revenue Bonds, Series 2000. The 2000 series bonds were issued to renovate the existing courthouse facility and construct a new courthouse annex. The county entered into a lease agreement with the Administrative Office of the Courts in order to provide funding to meet annual debt service requirements. Interest on the bonds is payable semi-annually on March 1 and September 1 of each year commencing March 1, 2007. Principal payments are payable annually commencing March 1, 2009. The total principal balance outstanding as of June 30, 2009 was \$2,655,000. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 85,000	\$ 104,670
2011	85,000	101,695
2012	90,000	98,720
2013	95,000	95,570
2014	95,000	92,150
2015-2019	545,000	404,465
2020-2024	665,000	290,430
2025-2029	810,000	142,970
2030	185,000	7,770
Totals	<u>\$ 2,655,000</u>	<u>\$ 1,338,440</u>

B. Note Payable, United States Department of Agriculture

The Menifee County Fiscal Court entered into a 30-year note payable in the amount of \$233,000 due to the United States Department of Agriculture, Rural Development bearing interest at a rate of 5%. The note requires semiannual interest payments due in June and December of each year and annual principal payments due in December of each year. As of June 30, 2009, the principal balance remaining was \$183,500. Future principal and interest requirements are:

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Long-term Debt (Continued)

B. Note Payable, United States Department of Agriculture (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 6,000	\$ 4,588
2011	6,500	8,875
2012	6,500	8,550
2013	7,000	8,225
2014	7,000	7,875
2015-2019	42,500	33,525
2020-2024	54,000	21,850
2025-2028	54,000	6,925
Totals	<u>\$ 183,500</u>	<u>\$ 100,413</u>

C. Financing Obligations, Courthouse Renovation, and Industrial Park Improvements

On September 12, 2001, the Menifee County Fiscal Court entered into an agreement with the Kentucky Area Development Districts Financing Trust for various projects including courthouse renovation and industrial park improvements in the amount of \$785,000. The agreement requires two semiannual interest payments be made in March and September of each year commencing March 1, 2002. Principal payments are due in September of each year commencing September 1, 2002, to be paid in full September 1, 2026. As of June 30, 2009, the principal balance remaining was \$615,000. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 30,000	\$ 31,997
2011	30,000	30,588
2012	30,000	29,147
2013	30,000	27,678
2014	35,000	26,052
2015-2019	205,000	100,159
2020-2024	190,000	40,320
2025-2027	65,000	5,740
Totals	<u>\$ 615,000</u>	<u>\$ 291,681</u>

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Long-term Debt (Continued)

D. Financing Obligations, Insurance Premium Repayment

On March 21, 2002, the Menifee County Fiscal Court entered into an agreement with the Kentucky Area Development Districts Financing Trust in the amount of \$205,000. The funds were used to pay a settlement with Ohio Casualty Company relating to an overpayment of insurance premium taxes paid by Ohio Casualty Company to the Menifee County Fiscal Court. The agreement requires two semiannual interest payments be made in May and November of each year commencing November 1, 2002. Principal payments are due in May of each year commencing May 1, 2003, to be paid in full May 1, 2012. As of June 30, 2009, the principal balance remaining was \$75,000. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 25,000	\$ 3,675
2011	25,000	2,450
2012	25,000	1,225
Totals	<u>\$ 75,000</u>	<u>\$ 7,350</u>

E. Financing Obligations, Kentucky Area Development District Financing Trust

On June 29, 2006, the Menifee County Fiscal Court entered into an agreement with the Kentucky Area Development District Financing Trust in the amount of \$105,000. The agreement requires two semiannual interest payments to be paid in January and July of each year commencing January 1, 2007. Principal payments are due in July of each year commencing July 1, 2007, to be paid in full on July 1, 2013. As of June 30, 2009, the principal balance remaining was \$60,000. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$	\$ 1,335
2011	15,000	2,340
2012	15,000	1,680
2013	15,000	1,012
2014	15,000	338
Totals	<u>\$ 60,000</u>	<u>\$ 6,705</u>

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Long-term Debt (Continued)

F. Financing Obligations, Caterpillar 12G Grader

In July 2003, the Menifee County Fiscal Court entered into an agreement for a 12G Grader with Caterpillar Financial Services Corporation in the amount of \$64,250. The lease requires monthly payments of \$1,172 for 60 months at an interest rate of 3.75%. As of June 30, 2009, the principal balance remaining was \$0.

G. Financing Obligations, Vehicle Purchases

On April 15, 2008, the Menifee County Fiscal Court entered into an agreement with Traditional Bank, Inc. for the purchase of a salt truck and a jailer's transport vehicle in the amount of \$24,352 at a variable interest rate of 5.75%. The agreement requires one principal and interest payment each year for four years commencing April 15, 2009, to be paid in full on April 15, 2012. As of June 30, 2009, the principal balance remaining was \$18,910. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 5,965	\$ 1,054
2011	6,298	722
2012	6,647	372
Totals	<u>\$ 18,910</u>	<u>\$ 2,148</u>

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Long-term Debt (Continued)

H. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Refunding Revenue Bonds,					
2006 Series	\$ 2,720,000	\$	\$ 65,000	2,655,000	\$ 85,000
Note Payable	189,000		5,500	183,500	6,000
Financing Obligations	839,532		70,622	768,910	60,965
Governmental Activities					
Long-term Liabilities	<u>\$ 3,748,532</u>	<u>\$ 0</u>	<u>\$ 141,122</u>	<u>\$ 3,607,410</u>	<u>\$ 151,965</u>

Note 6. Interest on Long-term Debt

Debt Service on the Statement of Activities includes \$164,966 of interest on financing obligations and general obligation bonds.

Note 7. Employee Retirement System

The Fiscal Court elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.5 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 29.5 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 8. Deferred Compensation

The Menifee County Fiscal Court allows all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 9. Insurance

For the fiscal year ended June 30, 2009, Menifee County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Transfers From Restricted Funds

The county transferred restricted money in the amount of \$28,434 from the Road Fund to the General Fund. As of June 30, 2009, the General Fund owes the Road Fund \$28,434.

Note 11. Fund Balance - Deficits

As of June 30, 2009, the Jail Fund had a deficit fund balance in the amount of \$14,490.

Note 12. Prior Period Adjustments

The beginning net assets of governmental activities have been restated by \$1,172 from \$2,006,985 to \$2,008,157 for a prior year error in the amount due of a financing obligation in the Road Fund.

MENIFEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009

MENIFEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2009

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 989,303	\$ 989,303	\$ 1,029,971	\$ 40,668
In Lieu Tax Payments	5,192	33,584	92,474	58,890
Excess Fees	4,000	4,000	48,994	44,994
Licenses and Permits	3,747	3,747	2,653	(1,094)
Intergovernmental Revenue	145,000	157,252	114,305	(42,947)
Miscellaneous	25,498	27,548	43,014	15,466
Interest	1,811	1,811	2,164	353
Total Revenues	<u>1,174,551</u>	<u>1,217,245</u>	<u>1,333,575</u>	<u>116,330</u>
EXPENDITURES				
General Government	499,479	517,293	517,289	4
Protection to Persons and Property	7,007	13,071	13,071	
General Health and Sanitation	205,616	246,935	246,935	
Social Services	10,000	8,684	8,684	
Debt Service	118,235	112,278	298,428	(186,150)
Administration	263,832	250,676	219,493	31,183
Total Expenditures	<u>1,104,169</u>	<u>1,148,937</u>	<u>1,303,900</u>	<u>(154,963)</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>70,382</u>	<u>68,308</u>	<u>29,675</u>	<u>(38,633)</u>
OTHER FINANCING SOURCES (USES)				
Kentucky Advance Revenue Program Proceeds			186,150	186,150
Transfers From Other Funds	227,914	227,914	685,400	457,486
Transfers To Other Funds	<u>(308,296)</u>	<u>(308,296)</u>	<u>(806,957)</u>	<u>(498,661)</u>
Total Other Financing Sources (Uses)	<u>(80,382)</u>	<u>(80,382)</u>	<u>64,593</u>	<u>144,975</u>
Net Changes in Fund Balance	(10,000)	(12,074)	94,268	106,342
Fund Balance - Beginning	<u>10,000</u>	<u>10,000</u>	<u>(61,785)</u>	<u>(71,785)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (2,074)</u>	<u>\$ 32,483</u>	<u>\$ 34,557</u>

MENIFEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

**Reconciliation of the Budgetary Comparison Schedule to Statement of
Revenues, Expenditures, and Changes in Fund Balance**

Total Revenues per Budgetary Schedule	\$ 1,333,575	
Kentucky Advanced Revenue Program	<u> </u>	\$ 1,333,575
Total Expenditures per budgetary schedule	(1,303,900)	
Kentucky Advanced Revenue Program	<u>186,150</u>	(1,117,750)
Other Financing Sources (Uses) per Budgetary Schedule	64,593	
Kentucky Advanced Revenue Program	<u>(186,150)</u>	(121,557)
Fund Balance - Beginning	(61,785)	
Restricted Transfers Payable	<u>(28,434)</u>	<u>(90,219)</u>
Ending Fund Balance per Schedule of Revenues, Expenditures, and Changes in Fund Balances		<u><u>\$ 4,049</u></u>

MENIFEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 91,000	\$ 137,659	\$ 254,005	\$ 116,346
Intergovernmental Revenue	815,981	874,411	929,171	54,760
Miscellaneous	34	2,199	2,194	(5)
Interest	2,738	2,738	1,342	(1,396)
Total Revenues	<u>909,753</u>	<u>1,017,007</u>	<u>1,186,712</u>	<u>169,705</u>
EXPENDITURES				
General Health and Sanitation	7,000	8,150	8,150	
Roads	468,884	493,139	493,139	
Administration	220,955	212,795	213,025	(230)
Total Expenditures	<u>696,839</u>	<u>714,084</u>	<u>714,314</u>	<u>(230)</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>212,914</u>	<u>302,923</u>	<u>472,398</u>	<u>169,475</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			143,500	143,500
Transfers To Other Funds	(227,914)	(227,914)	(579,000)	(351,086)
Total Other Financing Sources (Uses)	<u>(227,914)</u>	<u>(227,914)</u>	<u>(435,500)</u>	<u>(207,586)</u>
Net Changes in Fund Balance	(15,000)	75,009	36,898	(38,111)
Fund Balance - Beginning	<u>15,000</u>	<u>15,000</u>	<u>(36,116)</u>	<u>(51,116)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 90,009</u>	<u>\$ 782</u>	<u>\$ (89,227)</u>

**Reconciliation of the Budgetary Comparison Schedule to Statement of
Revenues, Expenditures, and Changes in Fund Balance**

Fund Balance - Ending	\$ 782
Restricted Transfers Receivable	<u>28,434</u>
Fund Balance - Ending	<u>\$ 29,216</u>

MENIFEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

AMBULANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenues	\$ 10,000	\$ 10,000	\$ 10,169	\$ 169
Charges for Services	405,000	405,000	392,378	(12,622)
Miscellaneous		2,600	3,907	1,307
Interest	737	578	58	(520)
Total Revenues	415,737	418,178	406,512	(11,666)
EXPENDITURES				
Protection to Persons and Property	426,350	507,295	507,295	
Administration	188,200	182,398	182,398	
Total Expenditures	614,550	689,693	689,693	
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(198,813)	(271,515)	(283,181)	(11,666)
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds			(10,000)	(10,000)
Transfers From Other Funds	193,813	193,813	317,862	124,049
Total Other Financing Sources (Uses)	193,813	193,813	307,862	114,049
Net Changes in Fund Balances	(5,000)	(77,702)	24,681	102,383
Fund Balances - Beginning	5,000	5,000	(10,259)	(15,259)
Fund Balances - Ending	\$ 0	\$ (72,702)	\$ 14,422	\$ 87,124

MENIFEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	HEALTH TAX FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 75,498	\$ 75,498	\$ 93,494	\$ 17,996
Licenses and Permits			873	873
Intergovernmental Revenue			92	92
Interest	681	681	1,220	539
Total Revenues	<u>76,179</u>	<u>76,179</u>	<u>95,679</u>	<u>19,500</u>
EXPENDITURES				
General Health and Sanitation	64,785	61,908	61,908	
Administration	11,850			
Total Expenditures	<u>76,635</u>	<u>61,908</u>	<u>61,908</u>	
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(456)</u>	<u>14,271</u>	<u>33,771</u>	<u>19,500</u>
Net Changes in Fund Balances	(456)	14,271	33,771	19,500
Fund Balances - Beginning	<u>456</u>	<u>456</u>	<u>95,740</u>	<u>95,284</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 14,727</u>	<u>\$ 129,511</u>	<u>\$ 114,784</u>

**MENIFEE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2009

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Note 2. Excess of Expenditures Over Appropriations

The General Fund and Road Fund expenditures exceeded their budget by \$154,963 and \$230, respectively.

**MENIFEE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2009

MENIFEE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2009

	Jail Fund	LGEA Fund	State Grants Fund	Parks and Recreation Fund	Wellness Fund
ASSETS					
Cash and Cash Equivalents	\$	\$ 347	\$ 30	\$ 275	\$ 408
Total Assets		347	30	275	408
LIABILITIES					
Cash Overdraft	14,490				
Total Liabilities	14,490				
Unreserved:					
Special Revenue Funds	(14,490)	347	30	275	408
Total Fund Balances	\$ 0	\$ 347	\$ 30	\$ 275	\$ 408

The accompanying notes are an integral part of the financial statements.

MENIFEE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
June 30, 2009
(Continued)

Building Commission Fund	911 Fund	Total Non-Major Governmental Funds
<u>\$ 1,986</u>	<u>\$ 11,193</u>	<u>\$ 14,239</u>
<u>1,986</u>	<u>11,193</u>	<u>14,239</u>
		<u>14,490</u>
		<u>14,490</u>
<u>1,986</u>	<u>11,193</u>	<u>(251)</u>
<u>\$ 1,986</u>	<u>\$ 11,193</u>	<u>\$ 14,239</u>

The accompanying notes are an integral part of the financial statements.

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MENIFEE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009

MENIFEE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2009

	Jail Fund	LGEA Fund	State Grants Fund	Parks and Recreation Fund	Wellness Fund
REVENUES					
Taxes	\$	\$	\$	\$	\$
Intergovernmental	61,704	186,951			
Charges for Services	416			6,983	1,786
Miscellaneous	726			3,000	227
Interest	32	54	1	3	
Total Revenues	<u>62,878</u>	<u>187,005</u>	<u>1</u>	<u>9,986</u>	<u>2,013</u>
EXPENDITURES					
General Government		2,051			23,912
Protection to Persons and Property	218,242				
General Health and Sanitation		110,014			
Recreation and Culture				27,707	
Debt Service					
Capital Projects				2,813	
Administration	20,445			2,096	4,270
Total Expenditures	<u>238,687</u>	<u>112,065</u>		<u>32,616</u>	<u>28,182</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(175,809)</u>	<u>74,940</u>	<u>1</u>	<u>(22,630)</u>	<u>(26,169)</u>
OTHER FINANCING SOURCES (USES)					
Transfers From Other Funds	190,500	11,000		21,300	25,619
Transfers To Other Funds		(78,400)			
Total Other Financing Sources (Uses)	<u>190,500</u>	<u>(67,400)</u>		<u>21,300</u>	<u>25,619</u>
Net Change in Fund Balances	14,691	7,540	1	(1,330)	(550)
Fund Balances - Beginning	(29,181)	(7,193)	29	1,605	958
Fund Balances - Ending	<u>\$ (14,490)</u>	<u>\$ 347</u>	<u>\$ 30</u>	<u>\$ 275</u>	<u>\$ 408</u>

The accompanying notes are an integral part of the financial statements.

MENIFEE COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

Other Supplementary Information

For The Year Ended June 30, 2009

(Continued)

Building Commission Fund	911 Fund	Total Non-Major Governmental Funds
\$	\$ 79,876	\$ 79,876
	134,902	383,557
		9,185
48,797	132	52,882
2	139	231
<u>48,799</u>	<u>215,049</u>	<u>525,731</u>
28,266		54,229
22,848	215,301	456,391
		110,014
		27,707
21,865		21,865
		2,813
1,310	48,307	76,428
<u>74,289</u>	<u>263,608</u>	<u>749,447</u>
<u>(25,490)</u>	<u>(48,559)</u>	<u>(223,716)</u>
24,676	72,500	345,595
<u>(3,000)</u>	<u>(15,000)</u>	<u>(96,400)</u>
<u>21,676</u>	<u>57,500</u>	<u>249,195</u>
(3,814)	8,941	25,479
5,800	2,252	(25,730)
<u>\$ 1,986</u>	<u>\$ 11,193</u>	<u>\$ (251)</u>

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



*Simon,
Underwood &
Associates* PSC

Certified Public Accountants and Consultants

The Honorable Hershell Sexton, Menifee County Judge/Executive
Members of the Menifee County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Menifee County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated November 6, 2009. Menifee County presents its financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Menifee County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Menifee County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Menifee County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting: 2009-01, 2009-02, 2009-03, 2009-04, 2009-05 and 2009-06.

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies listed as 2009-03, 2009-04, 2009-05, and 2009-06 to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Menifee County's financial statements for the year ended June 30, 2009, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of material noncompliance or other matter that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Simon, Underwood & Associates PSC

November 6, 2009

**MENIFEE COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2009

**MENIFEE COUNTY
COMMENTS AND RECOMMENDATIONS**

Fiscal Year Ended June 30, 2009

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES:

2009-01 The Fiscal Court Has Delinquent Accounts For Ambulance Service That Exceed \$136,857

The Fiscal Court has implemented a formal policy and procedures to collect delinquent ambulance service accounts as recommended in the prior year audit report. As of June 30, 2009, the fiscal court had \$136,857 in delinquent accounts over 30 days old. Of this amount, it is unknown what amount was over 90 days or over 120 days, as the Fiscal Court does not maintain a summary of aged receivables. The total delinquent amounts have declined 16.26% over prior year. Since the Fiscal Court is on a modified cash basis of accounting these receivables will not be reflected in the financial statements. We recommend the Fiscal Court maintain a listing of collected delinquent ambulance service accounts, a summary of aged receivables to be collected and a listing that reconciles to the total amounts billed.

County Judge/Executive Hershell Sexton's Response: This is the total of delinquency since the Fiscal Court purchased the ambulance service in July 2003. In the past year we have been able to hold down delinquencies and greatly improve our collection while nearly doubling our runs.

2009-02 The Fiscal Court Has Delinquent Accounts For Solid Waste Collections That Exceed \$144,838

The Fiscal Court has implemented a formal policy for procedures relating to solid waste collections including delinquent accounts. Even though the Fiscal Court could provide an accurate listing of delinquent accounts as of June 30, 2009, the Fiscal Court did not reconcile the amounts collected and amounts delinquent to the total amount billed each quarter. As of the date of this report, the Fiscal Court records indicate that \$144,838 of accounts is past due and over 90 days old. Since the Fiscal Court is on a modified cash basis of accounting these receivables will not be reflected in the financial statements. In order to strengthen controls over collections and delinquent accounts, we recommend the Fiscal Court maintain a listing of delinquent bills along with collected bills that reconcile to the total amount billed each quarter.

County Judge/Executive Hershell Sexton's Response: This again is the total amount of delinquencies since the Fiscal Court started charging for garbage service in 2003. Last year the total was \$171,823. This year the total is \$144,838, a reduction of nearly \$27,000 in delay due to collection efforts.

MENIFEE COUNTY
COMMENTS AND RECOMMENDATIONS
For The Year Ended June 30, 2009
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES:

2009-03 The County Should Maintain Complete And Accurate Capital Schedules To Comply With GASB 34 Requirements And Inventory Capital Assets Periodically

The county did not have a completed capital asset schedule for fiscal year ending June 30, 2009. A list of capital asset additions, retirements and disposals were not properly maintained. In addition, assets were retired or disposed of without maintaining proper documentation. A schedule of additions should be maintained as assets are purchased to simplify the process of updating the capital asset schedule. The schedule should include the date the asset is acquired, a description of the asset, the vendor name, and the amount. Invoices for asset acquisition and invoices for all other disbursements should be kept on file in a manner that allows retrieval of the original invoice for review and verification as needed by management and auditors. Furthermore, we believe that the capital asset listing should be monitored and maintained on a regular basis. As new assets are acquired they should be added to the listing. As equipment is retired or disposed of it should be removed from the listing. We recommend that the County maintain complete and accurate capital asset schedules and records to comply with GASB 34 requirements.

The Fiscal Court should take a physical inventory of its capital assets on a regular basis (such as every two to three years) or at the beginning of a new administration to ensure only active, in-service machinery and equipment is included on the County's financial statements. We also recommend that the County implement policies that will identify and track additions, retirements and disposed assets for the purpose of the capital asset schedule. These procedures will ensure that fixed assets are properly stated and that depreciation is being calculated accurately.

County Judge/Executive Hershell Sexton's Response: The county maintains a record of vehicles and equipment owned by the county, however, if an entity of the county chooses not to license vehicles in the county's name, or notify us of trades or sales, we have no way of tracking these vehicles.

2009-04 Vehicles Purchased By The Fiscal Court Should Be Titled, Insured, And Sold By The Fiscal Court

The Fiscal Court should require that proper records be maintained for all vehicles purchased by the Fiscal Court. During our testing of capital assets, we noted vehicles purchased with Fiscal Court funds were titled to the Menifee County Building Commission and the Menifee County Sheriff's Department. One vehicle was transferred out of the Sheriff's name to the Sheriff's Department's name and sold on the same date, though not approved through Fiscal Court as part of their surplus sale. This vehicle was also still covered by county insurance at year end. The vehicle titled to the Building Commission was also covered by the insurance as well. We recommend all vehicles purchased by Fiscal Court should be titled and insured in the Fiscal Court's name. We further recommend that assets owned by the Fiscal Court should be approved by the Fiscal Court for sale as required by the county's administrative code. This will ensure that all assets owned by the county are properly included on the capital asset schedules, insurance coverage schedules and removed when approved and sold by Fiscal Court.

County Judge/Executive Hershell Sexton's Response: See response to comment 2009-03.

MENIFEE COUNTY
COMMENTS AND RECOMMENDATIONS
For The Year Ended June 30, 2009
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES: (Continued)

2009-05 The Fiscal Court Should Improve Controls Over Expenditures

Several deficiencies were noted in the internal control structure as it relates to expenditures, namely, in the documentation, preparation, and authorization of expenditure items. The following issues were noted during expenditure testing and need to be addressed by the fiscal court:

- Of the sixty-nine (69) invoices tested, two (2) invoices were not paid within 30 days as required, one (1) statement that included eleven (11) invoices of which eight (8) invoices were not paid within 30 days as required and there were seven (7) invoices totaling \$51,435 which had no supporting documentation.
- Of the \$30,024 in credit card disbursements, we could not determine the appropriateness of \$5,452 due to lack of supporting documentation.
- The fiscal court does not report encumbrances on the financial statements. Of the fifteen (15) items tested, we noted eleven (11) invoices totaling \$24,407 not included on the fourth quarter financial statements at year end.
- The fiscal court paid \$3,787 in late fees on credit card and insurance premium payments. In addition, \$25 in sales tax was paid on several credit card purchases.

Strong internal control is maintained by having an approved purchase order prior to payment as required by the administrative code. Documentation of all expenditures should be included in the overall payment package for approval by fiscal court.

An annual review by the fiscal court of the administrative code is required by KRS 68.005 during the month of June.

KRS 65.140(2) requires all bills for goods and services to be paid in full within thirty (30) working days of receiving a vendor invoice. It continues to state that if payment of invoices exceeds thirty (30) days, a 1% interest penalty should be added.

We recommend the county review, utilize, and adhere to all applicable laws and regulations. Specifically, we recommend the county take the following action to comply with the Department for Local Government requirements and Kentucky Revised Statutes included within:

- Ensure expenditures occur within thirty (30) days of receiving vendor invoices or compensate vendors according to statutory interest penalties for payments exceeding thirty (30) days. Strong internal controls will also ensure that late fees and sales taxes will not be incurred by the county.
- Review and update the administrative policy annually in June as required.
- Review all payment packages presented to fiscal court for approval to ensure proper documentation is maintained to support the payment and all proper approvals are documented.
- Report all encumbrances by including all outstanding liabilities at the end of the fiscal year on the fourth quarter financial statement and maintain a list of these encumbrances to ensure the county has not encumbered more than the available cash balance in each fund.

County Judge/Executive Hershell Sexton's Response: These deficiencies are being examined and corrected.

MENIFEE COUNTY
COMMENTS AND RECOMMENDATIONS
For The Year Ended June 30, 2009
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES: (Continued)

2009-06 The Fiscal Court Should Require That Proper Records Be Maintained For The Public Properties Corporation Fund

The Fiscal Court should require that proper records be maintained for the Menifee County Public Properties Corporation. Since the Fiscal Court is financially accountable and legally obligated for the debt of the Public Properties Corporation, it is a blended component unit of the Fiscal Court. The Public Properties Corporation Fund issued the debt for the courthouse annex/renovation and receives payments from the Administrative Office of the Courts to make the necessary debt service payments. The Fiscal Court should designate someone to receive the bank statements for the Public Properties Corporation, maintain a receipts and disbursements ledger, and prepare a financial statement. This comment has been repeated from the prior year.

County Judge/Executive Hershell Sexton's Response: The Fiscal Court will designate someone to do this job.

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

MENIFEE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2009**

Appendix A

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
MENIFEE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2009

The Meniffee County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Hershell Sexton
County Judge/Executive



Phyllis Walker
County Treasurer

